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# Why a Cooperative

# ? a

quick look at what  
people do through  
their cooperatives.



The answer to the question—WHY a cooperative—is basically this: To save money or to get a better service or product.

The answer to the question—WHAT is a cooperative—is: A cooperative is a business owned, financed, and operated by the people who use it.

Cooperatives usually incorporate under State laws; they operate under bylaws; and the business end of the organization is run like other business firms.

Members elect a board of directors from among the membership. The board sets general policy and hires a manager to run the day-to-day business.

Cooperatives differ from other types of business in three general ways:

1. Their main purpose is to serve the needs of their member users, not to provide goods and services for others at a profit to stockholders.

2. The member owners recover the savings over the costs of doing business in proportion to their use or investment in the business. And dividends on capital invested in the cooperative bear a limited rate of interest.

3. Voting control of the business rests with members who use the cooperative. This democratic control is achieved in different ways—most often by allowing one vote to each member, but sometimes by limiting the number of additional votes on the controlled number of shares of co-op stock held or on the amount of business done by the member with the cooperative.

A few people or many can start a cooperative. Usually they talk to friends with the same economic problem that a group can solve better than an individual.

Such groups may be farmers who want a better market and better returns for their products or a better and more economical source for their supplies.

Or it may be urban residents who want better housing, better credit sources, or better health care.

Such a group needs to look into the situation thoroughly—perhaps visit other cooperatives, talk with someone who knows the legal and other steps necessary to form a cooperative, check on best ways to finance, and go into all the other aspects of what it takes to make

a cooperative a successful business enterprise.

Places to go for such help include local, State and national government agencies working with cooperatives; lawyers and accountants; county agents; Extension Service and others in Universities; State and national associations of cooperatives.

Specifics on where to turn for such information can be obtained by detaching and returning the card on the back panel of this publication.

**FARMER CO-OPS.**—At least five out of six of today's farmers use cooperatives to market farm products, obtain supplies, and get other services. They do about \$17 billion worth of business a year through the nearly 8,000 cooperatives they own.

Such farmers use cooperatives to get as good a price as they can for what they produce—hiring trained marketing men, putting up processing and packaging plants, and bargaining together for a better price.

They pool their orders for supplies to secure lower prices for quantity orders. They also operate their own feed mills, petroleum refineries, fertilizer plants, research farms, testing laboratories and many other enterprises to supply today's farming needs at lowest possible cost.

And they get special services from the cooperatives—hiring specialists to advise them on how to farm better, and sometimes having co-op employees spray their crops, apply fertilizer directly to their fields, or harvest their crops.

These cooperatives serve big farmers and small farmers, prosperous farmers and poor farmers, experienced farmers and new farmers—all on the basis of their abilities to help themselves.

**FARM CREDIT CO-OPS.**—Nearly 1 million farmers and 3,000 farmer cooperatives borrow about \$10 billion a year through their own cooperative Farm Credit System.

The Federal land bank and production credit associations and the banks for cooperatives sell bonds and debentures on the money market at the going rate of interest. They then use this money for loans, charging only enough interest to pay for the cost of the money and the costs for handling and making the loan.

Through the System, farmers can get loans for only a few weeks to meet their production needs or they can get loans stretched out and amortized over many



years to pay for land and other long-time investments.

The cooperatives borrow to pay operating costs, to build new facilities, or to buy new equipment.

**RURAL ELECTRIC CO-OPS.**—Rural electric cooperatives have brought light and power to nearly all the countryside over the past three and a half decades. Before only a few farm homes had these basics for a better life.

Nearly 1,000 consumer-owned and controlled rural electric cooperatives now serve 24 million people in the United States.

They also bring new industries that require electricity to rural communities, thus providing jobs and helping hold people in their home areas. Leadership among rural electric employees and members have helped create 216,000 new jobs and 3,400 new business firms and industries in rural communities in recent years.

**TELEPHONE CO-OPS.**—This country's 230 telephone cooperatives bring telephone service to more than 2 million rural residents. Benefits to people formerly without telephones or needing improved service is evident.

However, an added benefit to rural communities comes from the fact that effective telephone service is a "must" to attract new citizens, business firms, and light industries.

**CREDIT UNIONS.**—Over 20 million rural and urban people use credit unions with a total savings of over \$13.3 billion. Members' savings are pooled to make low interest loans to member borrowers. In mid-1968 credit union members had about \$12 billion in outstanding loans from their own credit unions.

Credit unions are financial cooperatives that teach members to manage their money wisely. Many disadvantaged people are helping themselves improve their economic status through the low-cost credit and consumer education available from their credit unions.

**HOUSING CO-OPS.**—Some 173,000 families own their own homes in about 680 cooperative housing projects. They range from low to middle to high income groups.

They have the common purpose of obtaining lower mortgage interest rates. Membership in these housing cooperatives reduce building costs 10 to 25



percent. Some low income families organize cooperatives to build their own homes as a self-help approach to home ownership.

**HEALTH CO-OPS.**—About 7 million people belong to consumer-sponsored health plans. Members prepay costs through monthly premiums, thus spreading out costs and helping members prepare for the possibilities of serious illness.

The basic emphasis of the physicians who practice in multi-specialty groups is on keeping the patient well through preventive medicine and outpatient care.

**OTHER CO-OP SERVICES.**—People get many other kinds of services by organizing and operating their own cooperatives.

Groups of consumers in a thousand communities have their own co-op stores—supermarkets, furniture stores, pharmacies, and book and record shops.

They get all types of insurance through mutual and cooperatively-oriented insurance companies. As one example, mutual insurance companies provide more than half the fire insurance carried on farm property in 1,400 areas. By pooling insurance needs and costs, users find they can reduce their costs.

Farmers get about a fourth of the water supply for their land through their irrigation cooperatives.

Over 10,000 fishermen belong to fishery cooperatives. These cooperatives account for a fourth of total products sold by U.S. fishermen.

In a number of areas, forestry cooperatives provide members with services such as marketing, logging, and forestry management.

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Added Information Is Available From -

Farmer Cooperative Service  
U.S. Department of Agriculture  
Washington, D.C. 20250

January 1970

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Washington, D.C. 20250

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- ☐ Rural Electric Co-ops
- ☐ Rural Telephone Co-ops
- ☐ Farm Credit Co-ops
- ☐ Credit Unions
- ☐ Housing Co-ops
- ☐ Health Co-ops
- ☐ Co-op Food Stores, Drug Stores, etc.

I would also like information on:

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My name (print)

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